

**Eric Harris**  
**Institute of Scrap Recycling Industries (ISRI)**

**Electronics Waste and Spent Lead Acid Batteries Capacity Building Workshop**  
**4-6 December 2007: Tijuana, Mexico**

**Title of presentation: Business Development for Electronics Waste Recycling Operations**

This presentation was put together thinking about a variety of scales. If you're thinking about getting into the business, you may already be in the business, it just depends upon where you are in the spectrum.

These are the key topics in developing a business model in the electronics arena. Doing your homework. Probably could be the most important thing for all of us in Mexico. Defining your niche. Where do you fit into the model? Facility selection is key.

Locate and secure your supply. At the end of the day it's all about supply. If you don't have supply, you don't have product. Develop strategic partnerships that will help you sustain this whole system and then last you need advocacy and networking.

Doing your homework. I certainly think that if you're thinking about getting into the scrap business, you need to know what kind of business you're getting into. What are the parts? What are the downstream and upstream businesses that go along with the electronic recycling sector? Where are your products coming from? Where's the material coming? Where do you want them to end up? Refineries? Smelters? Other recyclers?

This is information you're going to want to know. What are the values of this material? These are materials that are exchanged on the International Commodities Exchange Market. They go up and down every day as many recyclers in the audience already know. That's what drives this whole business. So if you're thinking about getting into this business, you probably want to educate yourself continually on the Commodity Exchange Market on the values of these materials.

The next point is probably the most important thing in electronics recycling, but also in scrap in general, is how you're going to get paid. How are you going to get paid? We talked a lot yesterday talked about value streams, defining those streams, knowing what their values are before you make the investment, where you're going to fit into the whole spectrum of the electronics chain, the recycling chain. Find out what the value streams are and then more importantly who's going to buy them.

Can you set up buyers and sellers in your community? In your state? Outside of Mexico? These are critical issues that you need to go through before you get into the business. Understand the challenges. With all due respect to my good friend Jim Lynch, we need to think beyond a simple license because it gets complicated. You want to think more on sustainable terms. Long term approach, not fly by night. How do you sustain this business over time? How do you sustain this business when the price of copper falls?

Customer expectations. It's driving the standards, it's driving these markets. You're going to want to be aware of what those are after you define them. It's going to vary with who you're doing business with. It's also going to define the reputation of your business, which is critical.

Unique attributes of your location. I was very surprised, we took a trip to Mexicali, a couple of days ago, and there's a wide variety of opportunities. From huge, huge manufacturing plants to small recycling facilities. Great infrastructure, transportation is very capable. These are the types of things that you want to look into.

Last, what's the existing industry? Who are your competitors? Is it going to be difficult for you to maintain that supply or continue to get that supply? Can you work with those folks if so?

This is an example of doing your homework. The price of cell phones, the gold, what's in the PC's? A little gold in there. You have got to get down into these types of details to know what you're dealing with because there's so many opportunities to pull value out of this material. It's not as simple as throwing it into a shredder, separating it and then having someone come and pay you. There's a lot of missed opportunities if you don't know what the values are. Do your homework. Find your niche. Where do you fit into this? Not everybody needs to run out and get a shredder. There are unique attributes to every section of the chain; collection, transportation. Who's going to transport this material for you? Are you going to do it? Are you going to go out and buy the trucks? Are you going to contract with someone who has the trucks?

Do you want to process the material? If so, to what degree? Do you want to broker the material? Brokers play a critical role in this market. They move the material around, but you want an honest broker. Of course, inevitably you're going to need guys like me to push the policy for you. To make sure that all this lines up. Because it's an ongoing process.

Finding your niche and working with businesses. Auditing what you're getting from them. I have this many like kind CPUs and this many monitors. This is how old they are, these are the values. This is all the relationship you build when you get that material. It drives the contract, the commercial relationship.

Then you move into touching it. Each time you touch the product you likely could lose money. So you need to know what you're doing. Think through how you're going to move the product through the process. Who is going to touch it? Of course, the recycling options. They get very complicated, but it's very doable. It's not out of reach. I mean, if you do your homework, you set this up right, and you can get yourself in a nice little business.

Okay, maybe at some point you want to get into mechanical processing as an option. What about manual processing? Indoor, well lit, you have these power mechanical screwdriver types of thing. It makes manual disassembly efficient.

One of the things you obviously have in your country is a lot of hands and cheap labor as it relates to your neighboring country, the United States.

That's an advantage. It's an opportunity. This type of process is very accessible. We saw a facility similar to this in Mexicali. So this is a good opportunity. They have gloves. A system obviously in place. Bins here to take the material. Sort them. This is all a process. This is what we want to discourage. We don't want this.

Now, again, they have product they're recycling. But we want to go from there to here. That's what we're trying to do. You can do this anywhere in the world.

Facility selection. Often overlooked. But there is a significant consideration. Transportation needs. Where are you? Rail can reduce your freight cost by 25 percent. That's real money. That's something you need to consider. Your proximity to the Interstate, the airports. The proximity to the folks you're trying to sell your material to is critical.

So evaluate that shipping container option. How are you going to ship? What are you going to ship it in? Local regulations. What are the zoning requirements. What are the permits you need to operate a business?

Equipment needs in your facility. How much power are you going to need to turn the lights on and run the type of systems you need. Cover it in concrete. It's just such a simple concept. If we can get this behavior inside, covered on concrete, that eliminates a lot of the environmental risk from the storm water perspective.

Loading docks. You might want one. If you're there and you don't have a dock, at some point you may have to come back and build one. That's going to be an expense. Where is the material going? The ports. The hazardous waste that we've spoken about, the batteries and so forth, where are you going to send those materials? You need to think that through.

Develop a volumes versus proximity matrix to think through. Again, if you heard the presentations on management systems yesterday, those management systems help you think through some of these things.

Locate and secure contracts and supply. Once you've educated yourself, you've thought through where you're going to enter into the recycling spectrum then you got to go out and hustle the business. Most of the good business in the U.S. is from business to business. The real challenges that we face in the U.S. and around the world is that we now want to take care of the consumer products. Traditionally they've been sent to a landfill. But the policy is changing and it's a good thing. Now we want to re-use, reduce and recycle that material that has historically gone to the landfill.

But the business to business stuff, those are the folks that have the money. And you could contract with them to handle their systems, their electronics responsibly. Consumers, a tougher issue. That's what's bringing all the regulation in. The EPR and the tax levies and so forth. How do we pay for all this consumer electronics scrap?

Retailers are a great opportunity. They interface with customers. They bring people in. There are business opportunities to contract with them and to work with them. Collection events. You can get into some creative discounting. Maybe some coupons to get back into the store. Creativity to work with those retailers is an opportunity. Collection. You have to think through. You have to get the material into your facility.

Customer expectations. Last year we had a convention in New Orleans and we brought a lot of OEMs, non profits, the government and everything else together. This is my summary of what the market is demanding, certainly on the U.S. side. If you are planning on doing some cross border relationships with U.S. companies, these are some of the issues that are not far behind. These big companies want these risks reduced. They're tired of seeing their systems on the front page in the newspaper on an open pit burn.

Data and facility security. Another good reason to take it inside. If it's outside, it makes it more susceptible to theft and contamination. People want this stuff protected. Due diligence we talked a lot about. Folks want to know who they're doing business with. That's the trend. No prison labor, I'm not sure where Mexico is on this. In the U.S. it's a big deal.

So develop strategic partnerships. A keen observation that we've seen is we're starting to see a number of different groups coming together working together to try and handle this material. We had a presentation on public private partnerships that is really starting to take off. You've heard about the Dell-Goodwill program. The Sony waste management program. So these non profits here, there may be some good opportunities to come together and collaborate some partnership opportunities.

Other businesses, other recyclers, what we're seeing in the evolution is that sophisticated recyclers are now sharing the burden or the challenge. They're handling the same material that they're now niching. One group just focuses on fluorescent lights. Another group will just do the CRTs. But they're sharing this material. Every group doesn't have to specialize in every activity. I'll specialize in this, you specialize in that and let's work together. There's a lot of creativity and innovation and opportunity there. If you can convince an OEM that you're a responsible recycler, they may give you some business. With all these EPR models that are presenting themselves, they're looking for responsible recyclers.

The government is critical. What's bringing us all here today is the government. All of our governments. So having relationships with your government is extremely important and provides a great opportunity. I've already mentioned the retailers.

I would suggest that this is for all of you. The priority has been more focused on individual facilities or individual behavior. But if you think about a bigger picture, as a recycling community, you want to think and develop some and advocate some time and policy. Because you're on the front end of this. It's beginning to happen. The policy is going to come. There's going to be a temptation to regulate this market.

That's not necessarily a bad thing. You want to make sure the regulation goes the way you want it to go as recyclers. You should have a voice in that process. In fact you should have a prominent voice in that process because it's your business.

Advocate for reasonable and appropriate standards. The standards that they're developing in the European Union are likely not appropriate for this market. Don't rush in and agree to standards that you can't meet. Start with the most egregious stuff. Eliminate the open pit burning. Keep things out of the waste stream. Build sustainable association and business networks. That's what will sustain the entire industry. It was obvious to me in Mexicali that Mexico has a very strong tradition of ferrous and non ferrous metal recycling. The infrastructure is already very vibrant. So I look forward to learning more about it myself.

So I just want to give you an example of how we've advocated some policy. Rick Goss said that they were able to get this committee hearing in the U.S. Congress. We were there too saying don't forget about us. We're the guys that are going to recycle. We told the U.S. Congressmen that scrap is not waste.

Recycling is not disposal. As demand grows the value of these commodities will grow. That's what we're seeing. We're seeing that the price years ago was very high. California passed something around 48 cents a pound. Today's market value is 10 or 15 cents. It's dropping because people are getting more efficient. They're finding more value and the overall cost is decreasing. So let's not over subsidize the market.

The last point. We are at the table with OEMs. You need to be at the table. You need to demonstrate and vocalize your concerns. That is don't overburden us with regulation. Let's encourage a marketplace economy and one that, most importantly, protects Mexico's environment and supports your national and global economic needs.